

Treasury Plan Does Not Benefit All Americans

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FOR IMMEDIATE RELEASE

(Washington, D.C.) U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, today outlined fundamental concerns that the U.S. House of Representatives must consider this week, as it evaluates the U.S. Treasury's \$700 billion financial bailout proposal. The proposed plan involves purchasing illiquid, but potentially valuable assets that are currently being held by financial institutions in peril.

Gutierrez will present his concerns to Henry M. Paulson, Jr., Secretary, U.S. Department of the Treasury, and Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, in a Full Committee Hearing of the House Financial Services Committee, this Wednesday, September 24, 2008.

In a statement, Gutierrez said:

"This weekend, U.S. Treasury Secretary Henry M. Paulson Jr. hit the airwaves to promote the Bush administration's \$700 billion bailout package, underscoring that it was necessary not just for Wall Street, but for all Americans. As it stands, I do not believe that this plan is in the best interests of the American people.

"First, Treasury's plan fundamentally lacks accountability. Mr. Paulson is asking Congress to abdicate its responsibilities and give up all oversight over the plan; that is unacceptable, and I cannot support it.

"Second, Treasury appears to have included in its strategy a bailout for foreign banks. As families on Main Street struggle to make ends meet — and Illinois families in particular face unemployment rates of 7.3 percent, among the highest in the nation — I am perplexed as to why Congress should support using U.S. taxpayer dollars to bailout foreign banks. Mr. Paulson has some questions to answer on this one, and I intend to ask him directly at Wednesday's full committee hearing.

"Third, I question whether Secretary Paulson's plan will even work. In order for financial institutions to benefit, the government would actually pay more than the market value for these assets, effectively creating a subsidy; that would make it harder to recoup the taxpayer's money at the end of the day.

"In addition, it is possible that some of these companies have too many other liabilities on their books and could still go under after we bail them out.

"Finally, the Treasury plan does nothing to help homeowners. If we buy mortgage-backed securities, but we do not own the real estate, we would be essentially using taxpayer money to help Wall Street firms, while the mortgage servicers may continue to foreclose on the taxpayers. That would be inherently unfair.

"The Treasury plan simply leaves too many questions unanswered for the U.S. taxpayer. Rather than hastily accept a solution that neglects the American small investor, Congress must consider proposals that fix the entire economy and not just the Wall Street giants. To that end, Congress should approve a plan that gives the government equity in the companies that receive assistance. If a company's stock goes up because of the taxpayer-funded bailout, the taxpayers should share in the profit. I am pleased to see my Democratic colleagues in the House already supporting similar strategies."

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